

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 AID-20 FBOE-00 A-01 IGA-02 L-03

/037 W

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P 071545Z SEP 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 6802

UNCLAS CAIRO 12024

PLEASE PASS ALSO TO AID

E.O. 11652: N/A

TAGS:

SUBJECT: ACQUISITION OF SITES AND BUILDINGS

1. EMBASSY AND USAID HAVE RECENTLY BECOME AWARE OF THOMAS-MANN MEMORANDUMS IN WHICH STATE HAS EXPRESSED ITS UNWILLINGNESS TO PROCEED WITH USE OF MONDALE-POAGE FUNDS FOR RENTAL AND ACQUISITION OF OFFICE AND RESIDENTIAL SPACE REQUIRED FOR EXPANDING AID PROGRAM IN EGYPT. WE URGENTLY REQUEST THAT FURTHER CONSIDERATION BE GIVEN TO THIS MATTER. THERE ARE IMMEDIATE REQUIREMENTS FOR WHICH SOLUTIONS MUST BE FOUND. THESE ARE OUTLINED BELOW, WITH SOME SUGGESTED APPROACHES.

2. WE SEE REAL ESTATE PROBLEMS AS FALLING INTO THREE AREAS AS FOLLOWS:

A. PROVISION OF EXPANDED OFFICE SPACE FOR AID OPERATIONS -- BOTH FOR IMMEDIATE FUTURE AND OVER LONGER TERM.

B. FINANCING OF RESIDENTIAL RENTS AND RECONVERSION COSTS.

C. PROCUREMENT OF REAL ESTATE FOR RESIDENTIAL USE.

3. REGARDING OFFICE SPACE, THERE ARE SOLUTIONS -- RECONVERSION OF FACILITIES ALREADY EXISTING WITHIN CHANCERY COMPOUND OR RENTAL/

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ACQUISITION OF PROPERTY ELSEWHERE IN THE CITY. FOR SECURITY

AND OPERATING EFFICIENCY PURPOSES, EMBASSY/USAID WOULD CLEARLY PREFER A SOLUTION WHICH PERMITS USAID TO REMAIN WITHIN CHANCERY GROUNDS. IT IS HIGHLY UNLIKELY THAT IT WOULD BE POSSIBLE TO LOCATE ADEQUATE OFFICE SPACE FOR RENTAL OUTSIDE OF CHANCERY GROUNDS STILL SUFFICIENTLY

CLOSE TO CHANCERY WHICH WOULD BE AVAILABLE FOR USE WITHIN A REASONABLE TIME AND ADEQUATE TO MEET USAID'S FULL NEEDS. GOING OUTSIDE THE CHANCERY WOULD THUS REQUIRE THE PURCHASE OR RENTAL OF FACILITIES EITHER NOW UNDER CONSTRUCTION OR TO BE CONSTRUCTED OR THE CONSTRUCTION OF ENTIRELY NEW FACILITIES. ANY OF THESE SOLUTIONS, IN ADDITION TO THE SECURITY AND OPERATING EFFICIENCY PROBLEMS, WOULD MEAN SUBSTANTIAL DELAY IN ACQUIRING ADDITIONAL SPACE WHICH IS NEEDED NOW. EMBASSY/USAID THEREFORE CONCLUDE THAT IF CONSTRUCTION OF NEW CHANCERY IS NOT TO OCCUR BEFORE 1980 AT EARLIEST

WHICH IS OUR UNDERSTANDING HERE BEST SOLUTION IS TO RENOVATE THE SO-CALLED ECON BUILDING WHICH IS NOW BEING USED BY JAO AS WAREHOUSE. IN ORDER TO PERMIT THIS CONVERSION, PRESENT WAREHOUSE WOULD HAVE TO BE RELOCATED. IT IS PLANNED THAT THIS BE DONE BY MOVEMENT OF MOTOR POOL TO UNUSED (USG-OWNED) PARKING LOT IN GARDEN CITY AND MOVEMENT OF WAREHOUSE INTO PRESENT MOTOR POOL SPACE (LEASED PROPERTY). THIS WOULD REQUIRE PROVISION TEMPORARY SHELTER FOR VEHICLES AND DISPATCHER/DRIVER ROOMS IN NEW MOTOR POOL AREAS. INITIAL ESTIMATES HAVE BEEN MADE THAT ALL THESE ACTIONS COULD BE ACCOMPLISHED FOR APPROXIMATELY LE 100,000. WHILE THIS SOLUTION WOULD FUNCTION ONLY FOR FOUR-SIX YEARS, EMBASSY/USAID BELIEVE IT IS RIGHT DIRECTION IN WHICH TO GO IF IN FACT OUR UNDERSTANDING CORRECT THAT IT HIGHLY UNLIKELY THAT DISMANTLING OF ECON BUILDING IN PREPARATION OF NEW CHANCERY WOULD BE REQUIRED PRIOR TO 1980.

CONFIRMATION ON THIS POINT WOULD BE WELCOME FOR OUR PLANNING PURPOSES.

4. RENTAL AND RENOVATION COSTS FOR HOUSING OCCUPIED BY AID PERSONNEL IS HIGH. BASED ON CURRENT PROJECTED STAFFING LEVELS, WE HAVE ESTIMATED OFFICE AND RESIDENTIAL LEASING COSTS IN FY 77 AT \$550,000. GIVEN THE VERY HIGH RENOVATION COSTS INVOLVED IN VIRTUALLY EVERY NEW PROPERTY LEASED, IT WOULD BE DESIRABLE WHEREVER POSSIBLE TO OBTAIN LONGER TERM LEASES THAN IS PRESENTLY UNCLASSIFIED

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CUSTOMARY, BUT THIS WOULD UNDOUBTEDLY REQUIRE LARGER INITIAL RENTAL PAYMENTS THAN ARE PRESENTLY GENERALLY BEING PROVIDED.

5. BECAUSE OF HIGH RENTAL COSTS, IT APPEARS TO EMBASSY/USAID DESIRABLE TO MOVE TO PURCHASE OF RESIDENTIAL UNITS WHERE POSSIBLE. THIS IS CONSISTENT WITH STATEMENTS OF IGA TEAM DURING THEIR EXIT INTERVIEW. SALES MARKET IS SOMEWHAT THIN, AND IT IS HARD TO ESTIMATE NUMBERS OF UNITS WHICH COULD IN FACT BE PROCURED IF WE HAD

AUTHORITY TO MOVE, BUT WE SUSPECT WE COULD OBTAIN UP TO 15-20 RESIDENTIAL UNITS OVER THE NEXT YEAR OR TWO.

6. EVEN IF CONVERSION OF ECON BUILDING CAN MEET USAID REQUIREMENTS FOR NEXT FOUR YEARS, THERE WILL BE LONGER TERM OFFICE SPACE REQUIREMENTS WHICH MUST BE FACED. EMBASSY/USAID NOT PREPARED MAKE RECOMMENDATIONS ON THIS POINT NOW, BUT IT MAY WELLBE NECESSARY TO BE PREPARED DEVOTE SUBSTNATIAL RESOURCES TO PURCHASE AND RENOVATION OF NEW OFFICE FACILITIES OVER THE COMING YEARS, EVEN IF ECON BUILDING CONVERSION IS PRACTICAL SHORT-TERM SOLUTION.

7. IN LIGHT OF ABOVE, EMBASSY/USAID RECOMMEND STATE/AID CONSIDER THE FOLLOWING.

A. CONSIDER APPROPRIATENESS OF UTILIZATION OF MONDALE-POAGE OR OTHER FUNDS TO MEET OUR CURRENT RESIDENTIAL AND OFFICE RENTAL COSTS OF APPROXIMATELY \$550,000 IN FY 77. THIS WOULD NOT APPEAR TO BE INCONSISTENT WITH CONCERNS ABOUT USE MONDALE-POAGE FOR ACQUISITION PURPOSES.

B. CONSIDER APPROPRIATENESS OF USE OF MONDALE-POAGE OR OTHER FUNDS FOR MOVEMENT MOTOR POOL, PRESENT WAREHOUSE AND CONVERSION OF ECON BUILDING INTO USAID OFFICE SPACE.

C. RECONSIDER HOW BEST TO USE MONDALE-POAGE, OR FBO FACILITIES ALONG LINES PROPOSED IN THOMAS-MANN MEMORANDUM, TO MEET LONGER TERM RESIDENTIAL AND OFFICE ACQUISITION NEEDS.

D. SEND A KNOWLEDGEABLE OFFICER FROM STATE OR AID TO HELP EMBASSY/USAID IDENTIFY MORE CLEARLY AID'S SHORT, MEDIUM AND LONG RANGE REAL PROPERTY REQUIREMENTS, AND MATCH THOSE REQUIREMENTS TO PRESENT KNOWN AND PROJECTED FUTURE AVAILABILITIES AND COSTS.

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BASED ON RESULTS THIS SURVEY WE COULD THEN MAKE A MORE REASONABLE ESTIMATE OF TOTAL COSTS TO BE FINANCED UNDER MONDALE-POAGE OR OTHER ARRANGEMENTS FOR THE NECESSARY REAL PROPERTY ACQUISITION PROGRAM.

8. SINCE WE MUST BEGIN NOW TO SOLVE USAID/CAIRO'S REAL ESTATE PROBLEMS, WE WOULD APPRECIATE A PROMPT REPLY TO THESE IDEAS.

MATTHEWS

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